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Part II

Department of the Interior

Bureau of Land Management

Outer Continental Shelf, Central and Northern California; Leasing System and Oil and Gas Lease Sale No. 53 (Partial Offering)

4310-84

UNITED STATES
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Outer Continental Shelf

Central and Northern California

Oil and Gas Lease Sale No. 53
(Partial Offering)

1. Authority. This notice is published pursuant to the Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331-1343), as amended, (92 Stat. 629), and the regulations issued thereunder (43 CFR Part 3300).

2. Filing of Bids. Sealed bids will be received by the Manager, Pacific Outer Continental Shelf (OCS) Office, Bureau of Land Management, 1340 West 6th Street, Room 200, Los Angeles, California 90017. Bids may be delivered, either by mail or in person, to the above address until 4:00 p.m., p.s.t., May 27, 1981; or by personal delivery to the Anaheim Convention Center, Santa Ana Room, 800 West Katella Avenue, Anaheim, California 92802 between the hours of 8:30 a.m., p.s.t. and 9:30 a.m., p.s.t., May 28, 1981. Bids received by the Manager later than the times and dates specified above will be returned unopened to the bidders. Bids may not be modified or withdrawn unless written modification or withdrawal is received by the Manager prior to 9:30 a.m., p.s.t., May 28, 1981. All bids must be submitted and will be considered in accordance with applicable regulations, including 43 CFR Part 3300. The list of restricted joint bidders which applies to this sale was published in 46 FR 22270; April 16, 1981.

3. Method of Bidding. A separate bid in a sealed envelope, labeled "Sealed Bid for Oil and Gas Lease (insert number of tract), not to be opened until 10 a.m., p.s.t., May 28, 1981," must be submitted for each tract. A suggested form appears in 43 CFR Part 3300, Appendix A. Bidders are advised that tract numbers are assigned solely for administrative purposes and are not the same as block numbers found on official protraction diagrams. All bids received shall be deemed submitted for a numbered tract. Bidders must submit with each bid one-fifth of the cash bonus in cash or by cashier's check, bank draft, or certified check, payable to the order of the Bureau of Land Management. No bid for less than a full tract as described in paragraph 12 will be considered. Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, as well as submit a sworn statement that the bidder is qualified under 43 CFR Subpart 3316. The suggested form for this statement to be used in joint bids appears in 43 CFR Part 3300 Appendix B. Other documents may be required of bidders under 43 CFR 3316.4. Bidders are warned against violation of 18 U.S.C. 1860, prohibiting unlawful combination or intimidation of bidders.

4. Bidding Systems. All leases awarded for this sale will provide for a yearly rental or a minimum annual royalty payment of $8 per hectare or fraction thereof. The following systems will be utilized.

(a) Bonus Bidding with 33-1/3 percent Royalty. Bids on tracts 53-138, 53-142, 53-145, 53-146, 53-149, 53-150, 53-151, 53-153, 53-154, 53-155, 53-159, 53-160, 53-161, 53-235, 53-236 and 53-239 must be on a cash bonus basis with a fixed royalty of 33-1/3 percent.

(b) Bonus Bidding with a Fixed Sliding Scale Royalty. Bids on tracts 53-185, 53-186, 53-192, 53-193, 53-197, 53-198, 53-199, 53-202, 53-203, 53-204, 53-205, 53-208, 53-209, 53-211, 53-212, 53-213, 53-214, 53-215, 53-216, 53-217, 53-218, 53-219, 53-220, 53-221, 53-222, 53-223, 53-224, 53-225, 53-226, 53-227, 53-228, 53-229, 53-231, 53-232, 53-233 and 53-234 must be submitted on a cash bonus basis with the percent royalty due in amount or value of production saved, removed or sold fixed according to the sliding scale formula described below. This formula fixes the percent royalty at a level determined by the value of lease production during each calendar quarter. For purposes of

determining the royalty percent due on production during a quarter, the value of production during the quarter will be adjusted for inflation as described below. The determination of the value of the production on which royalty is due will be made pursuant to 30 CFR 250.64.

. The fixed sliding scale formula operates in the following way; when the quarterly value of production, adjusted for inflation, is less than or equal to $14.787863 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $14.787864 million, but less than or equal to $1197.206141 million, the royalty percent due on the unadjusted value or amount of production is given by

$$Rj = b[Ln\ (Vj/S)]$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j

b = 11.0

Ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.25

When the adjusted quarterly value of production is equal to or greater than $1197.206142 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In determining the quarterly percent royalty due, Rj, the calculation will be carried to five decimal places (for example, 17.10773 percent). This calculation will incorporate the adjusted quarterly value of production, Vj, in millions of dollars, rounded to the sixth digit, i.e., the nearest dollar (for example, 15.392847 millions of dollars).

The form of the sliding scale royalty schedule is illustrated in Figure 1. Note that the effective quarterly royalty rate depends upon the inflation adjusted quarterly value of production. However, this rate is applied to the unadjusted quarterly value of production to determine the royalty payments due.

In adjusting the quarterly value of production for use in calculating the percent royalty due on production during the quarter, the actual value of production will be adjusted to account for the effects of inflation by dividing the actual value of production by the following inflation adjustment factor. The inflation adjustment factor used will be the ratio of the GNP fixed weighted price index for the calendar quarter preceding the quarter of production to the value of that index for the quarter preceding the issuance of the lease. The GNP fixed weighted price index is published monthly in the Survey of Current Business by the Bureau of Economic Analysis, U.S. Department of Commerce. The percent royalty will be due and payable on the actual amount or value of production saved, removed, or sold as determined pursuant to 30 CFR 250.64. The timing of procedures for inflation adjustments and determinations of the royalty due will be specified at a later date. Table 1 provides hypothetical examples of quarterly royalty calculations using the sliding scale formula just described under two different values for the quarterly price index.

Figure 1
Form of the Sliding Royalty Schedule

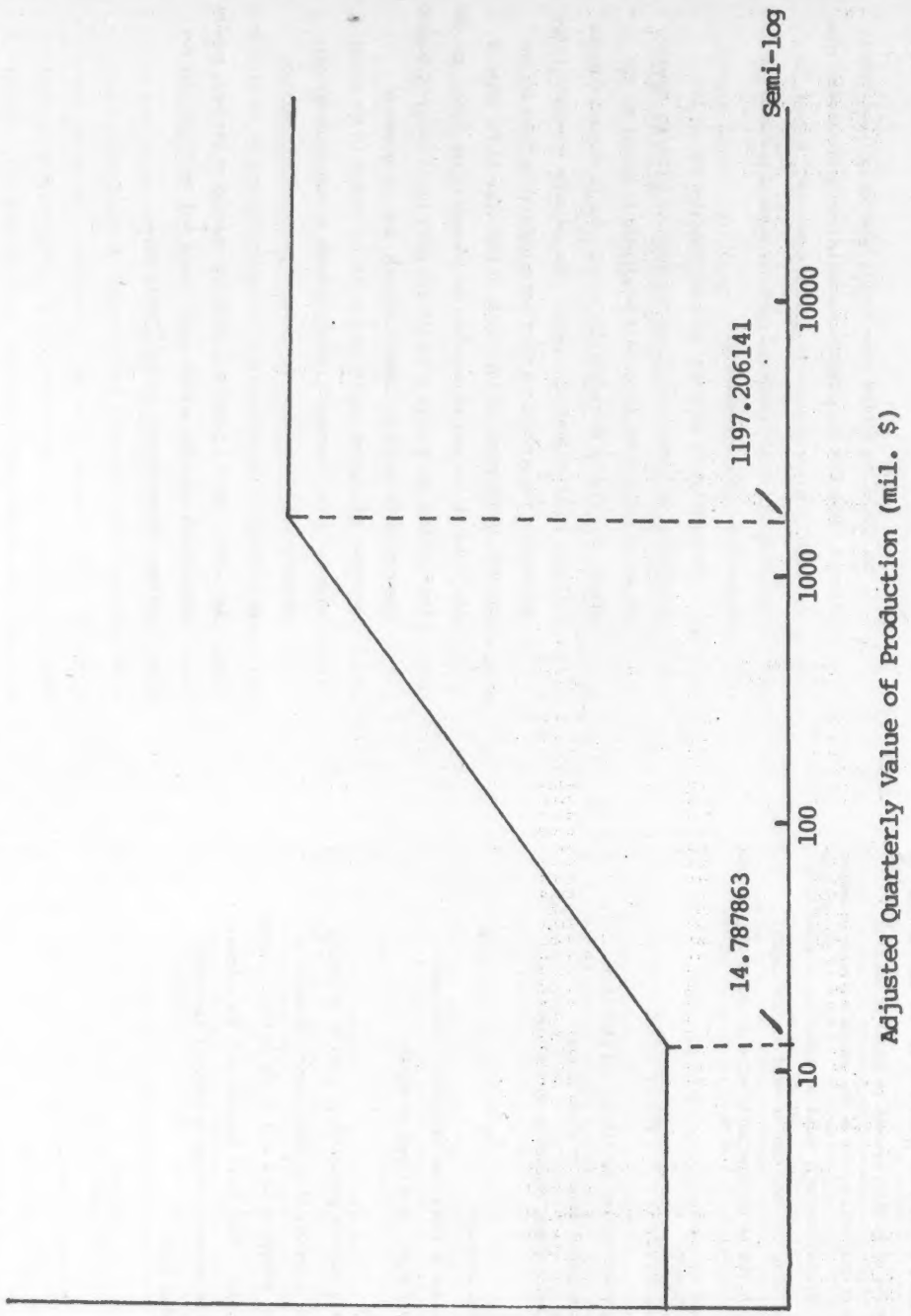

TABLE 1. HYPOTHETICAL QUARTERLY ROYALTY CALCULATIONS

(A) Actual Value of Quarterly Production (Millions of Dollars)	(B) GNP Fixed Weighted Price Index	(C) Inflation Factor[1]	(D) Adjusted Value of Quarterly Production[2] (Vj, Millions of $)	(E) Percent Royalty Rate (Rj)	(F) Royalty Payment[3] (Millions of Dollars)
10.000000	200.0	4/3	7.500000	16.66667	1.666667
30.000000	200.0	4/3	22.500000	21.28346	6.385039
90.000000	200.0	4/3	67.500000	33.36819	30.031378
270.000000	200.0	4/3	202.500000	45.45293	122.722921
810.000000	200.0	4/3	607.500000	57.53767	466.055118
10.000000	250.0	5/3	6.000000	16.66667	1.666667
30.000000	250.0	5/3	18.000000	18.82888	5.648665
90.000000	250.0	5/3	54.000000	30.91362	27.822257
270.000000	250.0	5/3	162.000000	42.99835	116.095557
810.000000	250.0	5/3	486.000000	55.08308	446.173028

1 Column (B) divided by 150.0 (assumed value of GNP fixed weighted price index at time leases are issued).

2 Column (A) divided by Inflation Factor.

3 Column (A) times Column (E) divided by 100. All values are rounded for display purposes only.

(c) Bonus Bidding with a 16-2/3 Percent Royalty. Bids on the remaining tracts to be offered at this sale must be submitted on a cash bonus basis with a fixed royalty of 16-2/3 percent.

5. Equal Opportunity. Each bidder must have submitted by 9:30 a.m., p.s.t., May 28, 1981, the certification required by 41 CFR 60-1.7(b) and Executive Order No. 11246 of September 24, 1965, as amended by Executive Order No. 11375 of October 13, 1967, on the Compliance Report Certification Form, Form 1140-8 (November 1973), and the Affirmative Action Representation Form, Form 1140-7 (December 1971). See Item 14, "Information to Lessees."

6. Bid Opening. Bids will be opened on May 28, 1981, beginning at 10:00 a.m., p.s.t., at the address stated in paragraph 2. The opening of the bids is for the sole purpose of publicly announcing and recording bids received and no bids will be accepted or rejected at that time. If the Department is prohibited for any reason from opening any bid before midnight, May 28, 1981, that bid will be returned unopened to the bidder, as soon thereafter as possible.

7. Deposit of Payment. Any cash, cashier's checks, certified checks or bank drafts submitted with a bid may be deposited in a suspense account in the Treasury during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

8. Withdrawal of Tracts. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid for that tract.

9. Acceptance or Rejection of Bids. The United States reserves the right to reject any and all bids for any tract. In any case, no bid for any tract will be accepted and no lease for any tract will be awarded to any bidder unless:

(a) The bidder has complied with all requirements of this notice and applicable regulations;

(b) The bid is the highest valid cash bonus bid; and

(c) The amount of the bid has been determined to be adequate by the Secretary of the Interior.

No bid will be considered for acceptance unless it offers a cash bonus in the amount of $62 or more per hectare or fraction thereof.

10. Successful Bidders. Each person who has submitted a bid accepted by the Secretary of the Interior will be required to execute copies of the lease specified below, pay the balance of the cash bonus bid together with the first year's annual rental and satisfy the bonding requirements of 43 CFR Subpart 3318 within the time provided in 43 CFR 3316.5.

11. Official Protraction Diagrams. Tracts offered for lease may be located on the following official protraction diagrams which are available from the Manager, Pacific Outer Continental Shelf Office at the address stated in paragraph 2, at a cost of $2.00 each:

NI 10-3 San Luis Obispo

NI 10-6 Santa Maria

12. Tract Descriptions. The tracts offered for bids are as follows:

Note: There may be gaps in the numbers of the tracts listed. Four of the blocks identified in the Proposed Notice of Sale have been combined with adjacent blocks in order to establish more efficient leasing units. Some of the blocks identified in the final environmental statement may not be included in this notice for various reasons, including the reason that this is only a partial offering of OCS Sale 53 tracts proposed for leasing. Some or all of the remainder of the OCS Sale 53 tracts proposed for leasing may be offered for leasing at a later time, to complete the OCS Sale 53 lease-sale process.

OCS Official Protraction Diagram, San Luis Obispo, NI 10-3

(Approved March 26, 1976)

Tract	Block	Description	Hectares
53-129	589	All	2304.00
53-130	590	All	2304.00
53-131	591	All	2304.00
53-132	633	All	2304.00
53-133	634	All	2304.00
53-134	635	All	2304.00
53-135	677	All	2304.00
53-136	678	All	2304.00
53-137	679	All	2304.00
53-138	680	1/	1524.97
53-139	721	All	2304.00
53-140	722	All	2304.00
53-141	723	All	2304.00
53-142	724, 725	1/	1864.61
53-144	767	All	2304.00
53-145	768	All	2304.00
53-146	769, 770	1/	1206.60
53-148	811	All	2304.00
53-149	812	All	2304.00
53-150	813	All	2304.00
53-151	814	1/	1663.03
53-152	855	All	2304.00
53-153	856	All	2304.00
53-154	857	All	2304.00
53-155	858	All	2304.00
53-156	897	All	2304.00
53-157	898	All	2304.00
53-158	899	All	2304.00
53-159	900	All	2304.00
53-160	901	All	2304.00
53-161	902	All	2304.00
53-162	941	All	2304.00
53-163	942	All	2304.00

1/ That portion seaward of the three geographical mile line.

Official Protraction Diagram, San Luis Obispo, NI 10-3 continued

(Approved March 26, 1976)

Tract	Block	Description	Hectares
53-164	943	All	2304.00
53-165	944	All	2304.00
53-166	945	All	2304.00
53-167	946	All	2304.00
53-168	947	All	2304.00
53-169	985	All	2304.00
53-170	986	All	2304.00
53-171	987	All	2304.00
53-172	988	All	2304.00
53-173	989	All	2304.00
53-174	990	All	2304.00
53-175	991	All	2304.00

OCS Official Protraction Diagram, Santa Maria, NI 10-6

(Approved March 26, 1976)

Tract	Block	Description	Hectares
53-176	16	All	2304.00
53-177	17	All	2304.00
53-178	18	All	2304.00
53-179	19	All	2304.00
53-180	20	All	2304.00
53-181	21	All	2304.00
53-182	22	All	2304.00
53-183	61	All	2304.00
53-184	62	All	2304.00
53-185	63	All	2304.00
53-186	64	All	2304.00
53-187	65	All	2304.00
53-188	66	All	2304.00
53-189	67	All	2304.00
53-190	105	All	2304.00
53-191	106	All	2304.00

OCS Official Protraction Diagram, Santa Maria, NI 10-6 continued

(Approved March 26, 1976)

Tract	Block	Description	Hectares
53-192	107	All	2304.00
53-193	108	All	2304.00
53-194	109	All	2304.00
53-195	110	All	2304.00
53-196	111	All	2304.00
53-197	150	All	2304.00
53-198	151	All	2304.00
53-199	152	All	2304.00
53-200	153	All	2304.00
53-201	154	All	2304.00
53-202	155	All	2304.00
53-203	156	1/	2245.37
53-204	195	All	2304.00
53-205	196	All	2304.00
53-206	197	All	2304.00
53-207	198	All	2304.00
53-208	199	All	2304.00
53-209	200, 201	1/	2062.55
53-211	239	All	2304.00
53-212	240	All	2304.00
53-213	241	All	2304.00
53-214	242	All	2304.00
53-215	243	All	2304.00
53-216	244	All	2304.00
53-217	245	1/	917.10
53-218	283	All	2304.00
53-219	284	All	2304.00
53-220	285	All	2304.00
53-221	286	All	2304.00
53-222	287	All	2304.00
53-223	288	All	2304.00
53-224	289	1/	719.12
53-225	328	All	2304.00
53-226	329	All	2304.00
53-227	330	All	2304.00
53-228	331	All	2304.00
53-229	332, 333	1/	1984.93
53-231	373	All	2304.00
53-232	374	All	2304.00
53-233	375	All	2304.00
53-234	376	1/	1761.43
53-235	418	All	2304.00

1/That portion seaward of the three geographical mile line.

OCS Official Protraction Diagram, Santa Maria, NI 10-6 continued

(Approved March 26, 1976)

Tract	Block	Description	Hectares
53-236	419	All	2304.00
53-237	420	1/	2277.34
53-238	421	1/	738.55
53-239	463	1/	2190.91
53-240	464	1/	2076.54
53-241	465	1/	1960.64
53-242	466	1/	1625.27
53-243	467	1/	883.85

1/ That portion seaward of the three geographical mile line.

13. Lease Terms and Stipulations. All leases issued as a result of this sale will be for an initial term of 5 years. Leases issued as a result of this sale will be on Form 3300-1 (September 1978), available from the Manager, Pacific Outer Continental Shelf Office, at the address stated in paragraph 2.

(a) For leases resulting from this sale for tracts offered on a cash bonus basis with fixed sliding scale royalty, listed in paragraph 4(b), Form 3300-1 will be amended as follows:

Sec. 6 Royalty on Production. (a) The lessee agrees to pay the lessor royalty of that percent in amount or value of production saved, removed or sold from the leased area as determined by the sliding scale royalty formula as follows. When the quarterly value of production, adjusted for inflation, is less than or equal to $14.787863 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $14.787864 million, but less than or equal to $1197.206141 million, the royalty percent due on the unadjusted value or amount of production is given by

$$Rj = b[Ln\ (Vj/S)]$$

where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j

b = 11.0

Ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.25

When the adjusted quarterly value of production is equal to or greater than $1197.206142 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In determining the quarterly percent royalty due, Rj, the calculation will be carried to five decimal places (for example, 17.10773 percent). This calculation will incorporate the adjusted quarterly value of production, Vj, in millions of dollars, rounded to the sixth digit, i.e., to the nearest dollar (for example, 15.392847 millions of dollars). Gas of all kinds (except helium) is subject to royalty. The lessor shall determine whether production royalty shall be paid in amount or value.

(b) Except as otherwise noted, the following stipulations will be included in each lease resulting from this proposed sale. In the following stipulations the term DCMOFO refers to the Pacific Area Deputy Conservation Manager, Offshore Field Operation of the Geological Survey and the term Manager refers to the Manager of the Pacific OCS Office of the Bureau of Land Management.

Stipulation No. 1

(a) If the DCMOFO has reason to believe that biological populations or habitats exist and require protection, he shall give the lessee notice that the lessor is invoking the provisions of this stipulation and the lessee shall comply with the following requirements. Prior to any drilling activity or the construction or placement of any structure for exploration or development on lease areas including, but not limited to, well drilling and pipeline and platform placement hereinafter referred to as "operation," the lessee shall conduct site specific surveys as approved by the DCMOFO and in accordance with prescribed biological survey requirements to determine the existence of any special biological resource including, but not limited to:

(1) Very unusual, rare, or uncommon ecosystems or ecotones.

(2) A species of limited regional distribution that may be adversely affected by any lease operations.

If the results of such surveys suggest the existence of a special biological resource that may be adversely affected by any lease operation, the lessee shall: (1) relocate the site of such operation so as not to adversely affect the resources identified; or (2) establish to the satisfaction of the DCMOFO, on the basis of the site specific survey, either that such operation will not have a significant adverse effect upon the resource identified or that a special biological resource does not exist. The DCMOFO will review all data submitted and determine, in writing, whether a special biological resource exists and whether it may be significantly affected by the lessee's operations. The lessee may take no action until the DCMOFO has given the lessee written directions on how to proceed.

(b) The lessee agrees that if any area of biological significance should be discovered during the conduct of any operations on the leased area, he shall report immediately such findings to the DCMOFO, and make every reasonable effort to preserve and protect the biological resource from damage until the DCMOFO has given the lessee directions with respect to its protection.

Stipulation No. 2

If the DCMOFO, having reason to believe that a site, structure or object of historical or archaeological significance, hereinafter referred to as a "cultural resource," may exist in the lease area, gives the lessee written notice that the lessor is invoking the provisions of this stipulation, the lessee shall upon receipt of such notice comply with the following requirements.

Prior to any drilling activity or the construction or placement of any structure for exploration or development on the lease, including but not limited to, well drilling and pipeline and platform placement, hereinafter in this stipulation referred to as "operation," the lessee shall conduct remote sensing surveys to determine the potential existence of any cultural resource that may be affected by such operations. All data produced by such remote sensing surveys as well as other pertinent natural and cultural environmental data shall be examined by a qualified marine survey archaeologist to determine if indications are present suggesting the existence of a cultural resource that may be adversely affected by any lease operation. A report of this survey and assessment prepared by the marine survey archaeologist shall be submitted by the lessee to the DCMOFO and the Manager for review.

If such cultural resource indicators are present the lessee shall: (1) locate the site of such operation so as not to adversely affect the identified location; or (2) establish, to the satisfaction of the DCMOFO, on the basis of further archaeological investigation conducted by a qualified marine survey archaeologist or underwater archaeologist using such survey equipment and techniques as deemed necessary by the DCMOFO, either that such operation shall not adversely affect the location identified or that the potential cultural resource suggested by the occurrence of the indicators does not exist.

A report of this investigation prepared by the marine survey archaeologist or underwater archaeologist shall be submitted to the DCMOFO and the Manager for their review. Should the DCMOFO determine that the existence of a cultural resource which may be adversely affected by such operation is sufficiently established to warrant protection, the lessee shall take no action that may result in an adverse effect on such cultural resource until the DCMOFO has given directions as to its preservation.

The lessee agrees that if any site, structure, or object of historical or archaeological significance should be discovered during the conduct of any operations on the leased area, he shall report immediately such findings to the DCMOFO and make every reasonable effort to preserve and protect the cultural resource from damage until the DCMOFO has given directions as to its preservation.

Stipulation No. 3

(a) To be included in any lease resulting from this sale for tracts:

53-156, 53-157, 53-158, 53-159, 53-162, 53-163, 53-164, and 53-165.

Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas, and the emplacement of pipelines will not be allowed within the potentially unstable portion of this lease block unless or until the lessee has demonstrated to the DCMOFO's satisfaction that mass movement of sediments is unlikely or that exploratory drilling operations, structures (platforms), casing, wellheads and pipelines can be safely designed to protect the environment in case such mass movement occurs at the proposed location. This may necessitate that all exploration for and development of oil or gas be performed from locations outside of the area of unstable sediments, either within or outside of this lease block.

If exploratory drilling operations are allowed, site specific surveys shall be conducted to determine the potential for unstable bottom conditions. If emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas is allowed, all such unstable areas must be mapped. The DCMOFO may also require soil testing before exploration and production operations are allowed.

(b) To be included in any lease resulting from this sale for tracts:

53-226, 53-227, 53-228, 53-231, 53-232, 53-233, 53-235, 53-236, 53-237, and 53-239.

Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas or emplacement of pipelines will not be allowed within the potentially unstable portions of this lease block unless or until the lessee has demonstrated to the DCMOFO's satisfaction that exploratory drilling operations, structures (platforms), casing, wellheads and pipelines can be safely designed to protect the environment at the proposed location. This may necessitate that all exploration for and development of oil or gas be performed from locations outside of the area of submarine canyons or channels, either within or outside of this lease block.

If exploratory drilling operations are allowed, site specific surveys shall be conducted to determine the potential for unstable bottom conditions. If emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas are allowed, all such unstable areas must be mapped. The DCMOFO may also require soil testing before exploration and production operations are allowed.

(c) To be included in any lease resulting from this sale for tracts:

53-131, 53-138, 53-142, 53-146, 53-150, 53-151, 53-155, 53-161, 53-168, 53-175, 53-182, 53-189, 53-196, 53-203, 53-209, and 53-217.

Exploratory drilling operations, emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas and the emplacement of pipelines will not be allowed in the vicinity of a fault until the lessee has demonstrated to the DCMOFO's satisfaction that exploratory drilling operations, structures (platforms), casing, wellheads and pipelines can be safely designed to protect the environment in case fault movement occurs at the proposed location. This may necessitate that all exploration for and development of oil or gas be performed from locations outside of the area of potential fault movement, either within or outside of this lease block.

If exploratory drilling operations are allowed, site specific surveys shall be conducted to determine the potential for active faulting. If emplacement of structures (platforms) or seafloor wellheads for production or storage of oil or gas are allowed, all fault zones must be mapped. The DCMOFO may also require soil testing before exploration and production operations are allowed.

Stipulation No. 4

(a) The lessee agrees that prior to operating or causing to be operated on its behalf boat or aircraft traffic into individual, designated warning areas, the lessee shall coordinate and comply with instructions from the Commander, Western Space and Missile Center (WSMC), the Commander, Pacific Missile Test Center (PMTC), and the Commander, Fleet Area Control and Surveillance Facility (FACSFAC), or other appropriate military agency. Such coordination and instruction will provide for positive control of boats and aircraft operating in the warning areas at all times.

(b) The lessee, recognizing that mineral exploration and exploitation and recovery operations of the leased areas of submerged lands can impede tactical military operations, hereby recognizes and agrees that the United States reserves and has the right to temporarily suspend operations of the lessee under this lease in the interests of national security requirements. Such temporary suspension of operations, including the evacuation of personnel, and appropriate sheltering of personnel not evacuated (an appropriate shelter shall mean the protection of all lessee personnel for the entire duration of any Department of Defense activity from flying or falling objects or substances), will come into effect upon the order of the DCMOFO, after consultation with the Commander, Western Space and Missile Center (WSMC), the Commander, Pacific Missile Test Center (PMTC), and the Commander, Fleet Area Control and Surveillance Facility (FACSFAC), or other appropriate military agency, or higher authority, when national security interests necessitate such action. It is understood that any temporary suspension of operations for national security may not exceed seventy-two hours; however, any such suspension may be extended by order of the DCMOFO. During such periods equipment may remain in place.

(c) The lessee agrees to control his own electromagnetic emissions and those of his agents, employees, invitees, independent contractors or subcontractors emanating from individual, designated defense warning areas in accordance with requirements specified by the Commander, Western Space and Missile Center (WSMC), the Commander, Pacific Missile Test Center (PMTC), or other appropriate military agency, to the degree necessary to prevent damage to, or unacceptable

interference with Department of Defense flight, testing or operations activities conducted within individual, designated warning areas. Necessary monitoring, control, and coordination with the lessee, his agents, employees, invitees, independent contractors or subcontractors, will be effected by the Commander of the appropriate onshore military installation conducting operations in the particular warning area: provided, however, that control of such electromagnetic emissions shall permit at least one continuous channel of communication between a lessee, its agents, employees, invitees, independent contractors or subcontractors and onshore facilities.

Stipulation No. 5

Whether or not compensation for such damage or injury might be due under a theory of strict or absolute liability or otherwise, the lessee assumes all risks of damage or injury to persons or property, which occurs in, on, or above the Outer Continental Shelf, to any person or persons or to any property of any person or persons who are agents, employees or invitees of the lessee, its agents, independent contractors or subcontractors doing business with the lessee in connection with any activities being performed by the lessee in, on, or above the Outer Continental Shelf, if such injury or damage to such person or property occurs by reason of the activities of any agency of the U.S. Government, its contractors, or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with, the programs and activities of the Western Space and Missile Center (WSMC), the Pacific Missile Test Center (PMTC), or other appropriate military agency.

Notwithstanding any limitations of the lessee's liability in section 14 of the lease, the lessee assumes the risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents, or employees. The lessee further agrees to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the lessee, and to indemnify and save harmless the United States against all claims for loss, damage, or injury sustained by the agents, employees, or invitees of the lessee, its agents or any independent contractors or subcontractors doing business with the lessee in connection with the programs and activities of the aforementioned military installations and agencies, whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors, or subcontractors, or any of their officers, agents, or employees and whether such claims might be sustained under theories of strict or absolute liability or otherwise.

Stipulation No. 6.

a) Pipelines will be required: 1) if pipeline rights-of-way can be determined and obtained; 2) if laying of such pipelines is technologically feasible and environmentally preferable; and 3) if, in the opinion of the lessor, pipelines can be laid without net social loss, taking into account any incremental costs of pipelines over alternative methods of transportation and any incremental benefits in the form of increased environmental protection or reduced multiple use conflicts. The lessor specifically reserves the right to require that any pipeline used for transporting production to shore be placed in certain designated management areas. In selecting the means of transportation, consideration will be given to any recommendation of the intergovernmental planning program for assessment and management of transportation of Outer Continental Shelf oil and gas with the participation of Federal, State, and local governments and the industry.

b) Following the completion of pipeline installation, no crude oil production will be transported by surface vessel from offshore production sites, except in the case of emergency. Determinations as to emergency conditions and appropriate responses to these conditions will be made by the DCMOFO.

c) Where the three criteria set forth in the first sentence of this stipulation are not met and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore from the leased area will conform with all standards established for such vessels, pursuant to the Port and Tanker Safety Act of 1978 (PL 95-474).

Stipulation No. 7

(a) Wells. Subsea well heads and temporary abandonments, or suspended operations that leave protrusions above the sea floor, shall be protected, if feasible, in such a manner as to allow commercial trawling gear to pass over the structure without snagging or otherwise damaging the structure or the fishing gear. Latitude and longitude coordinates of these structures, along with water depths, shall be submitted to the DCMOFO. The coordinates of such structures will be determined by the lessee utilizing state-of-the-art navigation systems with accuracy of at least ±50 feet (15.25 meters) at 200 miles (322 kilometers).

(b) Pipelines. All pipelines, unless buried, including gathering lines, shall have a smooth surface design. In the event that an irregular pipe surface is unavoidable due to the need for valves, anodes or other structures, those irregular surfaces shall be protected in such a manner as to allow trawling gear to pass over the object without snagging or otherwise damaging the structure or the fishing gear.

Stipulation No. 8

The lessee shall include in his exploration and development plans, submitted under 30 CFR 250.34, a proposed fisheries training program for review and approval by the DCMOFO. The training program shall be for the personnel involved in vessel operations (related to offshore exploration and development and production operations), and platform and shorebased supervisors. The purpose of the training program shall be to familiarize persons working on the project of the value of the commercial fishing industry, the methods of offshore fishing operations, the potential conflicts between fishing operations and offshore oil and gas activities, the locations of marine mammal and bird rookery sites in the area, the seasonal abundance and sensitivities of these animals to disturbance, and the Federal laws that have been established to protect endangered and threatened species from harassment and injury. The program shall be formulated and implemented by qualified instructors.

Stipulation No. 9

To be included only in the leases resulting from this sale for the 33-1/3 percent royalty tracts and the fixed sliding scale royalty tracts identified in paragraph 4(a) and 4(b) of this notice.

(a) The royalty rate on production saved, removed or sold from this lease is subject to consideration for reduction under the same authority that applies to all other oil and gas leases on the Outer Continental Shelf (30 CFR 250.21). The Director, U.S. Geological Survey, may grant a reduction for only one year at a time and reduction of royalty rates will not be approved unless production has been under way for one year or more.

(b) Although the royalty rate specified in section 6(a) of this lease or as subsequently modified in accordance with applicable regulations and stipulations is applicable to all production under this lease, not more than 16-2/3 percent of the production saved, removed or sold from the lease area may be taken as royalty in amount, except as provided in sec. 15(d); the royalty on any portion of the production saved, removed or sold from the lease in excess of 16-2/3 percent may only be taken in value of the production saved, removed or sold from the lease area.

Stipulation No. 10

This stipulation shall be effective for each tract to which it applies only if the Secretary of the Interior and the Governor of the State of California, prior to the approval of a development and production plan for that tract by the Department of the Interior, enter into an agreement pursuant to section 8(g) of the Outer Continental Shelf Lands Act, as amended, 43 U.S.C. section 1337(g). If such agreement has been entered into, this stipulation is to be applied to leases resulting from this sale for the following tracts: 53-130, 53-131, 53-134, 53-137, 53-138, 53-141, 53-142, 53-144, 53-145, 53-146, 53-149, 53-150, 53-151, 53-154, 53-155, 53-189, 53-196, 53-202, 53-203, 53-208, 52-209, 53-215, 53-216, 53-217, 53-222, 53-223, 53-224, 53-228, 53-229, 53-233, 53-234, 53-236, 53-237, 53-238, 53-240, 53-241, 53-242, and 53-243.

(1) No producing well may be drilled where the well bore in the producing intervals is closer to the seaward boundary of the State of California than the distance agreed to between the State and the Department based on analysis of pertinent site-specific data, except that in no event shall the agreed distance be further than 750 feet from the seaward boundary of the State. In the absence of an agreed distance, no well shall be drilled closer than 500 feet to the seaward boundary of the State.

(2) The constraint in paragraph (1) shall not apply:

(a) If oil or gas pools or fields underlying both the Outer Continental Shelf and lands subject to the jurisdiction of California are included in a production unit entered into by the relevant lessees and approved by the lessors, or in a production unit entered into by the Federal lessee and the State of California when it is a carried, non-operating owner.

(b) If, in the absence of a production unit as described in (a) above, the State of California permits production from State lands from a point closer than 750 feet from the Federal-State boundary. In the event that such production from State lands does occur, the Federal lessee shall be allowed to produce from offset wells equally close to the boundary in the area of Federal jurisdiction.

14. Information to Lessees. The Department of the Interior will seek the advice of the State of California and other Federal agencies to identify areas of special biological or cultural resources.

Bidders are advised that the Department of Energy is authorized, under Section 302(b) & (c) of the Department of Energy Organization Act, to establish production rates for all Federal oil and gas leases.

Operations on some of the tracts offered for lease may be restricted by designation of fairways, precautionary zones, or traffic separation schemes established by the Coast Guard pursuant to the Ports and Waterways Safety Act (33 U.S.C. 1221 et seq). Corps of Engineers permits are required for construction of any artificial islands, installations and other devices permanently or temporarily attached to the seabed located on the Outer Continental Shelf in accordance with section 4(e) of the Outer Continental Shelf Lands Act of 1953, as amended.

Bidders are advised that the Departments of the Interior and Transportation have entered into a Memorandum of Understanding dated May 6, 1976, concerning the design, installation, operation and maintenance of offshore pipelines. Bidders should consult both Departments for regulations applicable to offshore pipelines.

Bidders are also advised that in accordance with Sec. 16 of each lease offered at this sale, the lessor may require a lessee to operate under a unit pooling or drilling agreement, and that the lessor will give particular consideration to requiring unitization in instances where one or more reservoirs underlie two or more leases with a different royalty rate.

To reduce the impacts of aircraft disturbances at seabird colonies and marine mammal rookeries along the coast, a distance of at least one mile from the coastline and an altitude of 1,000 feet should be maintained, consistent with aircraft safety, from specific areas to be identified by the DCMOFO. The lessee is advised that all violations may be reported to the U.S. Fish and Wildlife Service, National Marine Fisheries Service, or the California Department of Fish and Game, as appropriate, for disposition.

Revisions of Department of Labor regulations on Affirmative Action requirements for Government Contractors (including lessees) have been assigned a deferred effective date of April 29, 1981, pending review of those regulations (see Federal Register of January 28, 1981, at 46 F.R. 9084). Should those changes become effective at any time before the issuance of leases resulting from this sale, Section 18 of the lease form, Form 3300-1 (September 1978), would be deleted from leases resulting from this sale. In addition, existing stocks of the Affirmative Action Forms described in section 5 of this notice contain language that would be superseded by the revised regulations at 41 CFR 60-1.5(a)(1) and 60-1.7(a)(1) regarding the aggregate value of contracts over a 12-month period (see the Federal Register of December 30, 1980, at 45 F.R. 86231-86232).

Pending the issuance of revised versions of Forms 1140-7 and 1140-8 by the Bureau of Land Management, submission of Form 1140-7 (December 1971) and Form 1140-8 (November 1973) will not invalidate an otherwise acceptable bid, and the revised regulations' requirements will be deemed to be part of the existing Affirmative Action Forms.

Notice is hereby given that portions of tracts, 53-131, 53-134, 53-137, 53-138, 53-141, 53-142, 53-145, 53-146, 53-150, 53-151, 53-154, 53-155, 53-175, 53-181, 53-182, 53-185, 53-186, 53-187, 53-188, 53-189, 53-192, 53-193, 53-194, 53-195, 53-196, 53-199, 53-200, 53-201, 53-205, 53-206, 53-207, 53-208, 53-209, 53-212, 53-213, 53-214, 53-215, 53-216, 54-219, 53-221, 53-222, 53-223, 53-224, 53-227, 53-228, 53-229, 53-232, 53-233, 53-234, 53-235, 53-236, 53-237, 53-238, 53-239, 53-240, 53-241, and 53-242 may contain a shallow "bright spot" seismic amplitude anomaly which may be indicative of a shallow gas deposit. Surface occupancy above this anomaly and drilling through the anomaly will not be allowed unless or until the lessee has demonstrated to the Deputy Conservation Manager's (DCMOFO) satisfaction that a potentially hazardous accumulation of shallow gas does not exist or that exploratory drilling operations, structures (platforms), casing, and wellheads can be placed or drilling plans designed to assure safe operations in the area above the anomaly. This may necessitate that all exploration for and development of oil and gas be performed from locations outside the area of concern, either within or outside this lease block.

In implementing stipulation 8, the DCMOFO will require that training programs include the locations of marine mammal and bird rookery sites in the area, the seasonal abundance and sensitivities of these animals to disturbance, and the Federal laws that have been established to protect endangered and threatened species from harassment and injury.

15. OCS Orders. Operations on all leases resulting from this sale will be conducted in accordance with the provisions of all Pacific Orders, as of their effective date, and any other applicable OCS Order as it becomes effective.

Ed Hastey
Director, Bureau of Land Management
ACTING

Approved: APR 21 1981

Under Donald Paul Hodel
Secretary of the Interior

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United States
Department of the Interior
Bureau of Land Management

Outer Continental Shelf, Central and Northern California

Notice of Leasing Systems, Sale No. 53
(Partial Offering)

Sec. 8(a)(8) (43 U.S.C. 1337 (a)(8)) of the Outer Continental Shelf (OCS) Lands Act, as amended, requires that, at least 30 days before any lease sale, a notice be submitted to the Congress and published in the Federal Register:

(A) identifying the bidding systems to be used and the reasons for such use; and

(B) designating the tracts to be offered under each bidding system and the reasons for such designation.

This notice is published pursuant to these requirements.

A. Bidding systems to be used. In OCS Sale No. 53, tracts will be offered under the following three bidding systems as authorized by Sec. 8(a)(1) (43 U.S.C. 1337 (a)(1)): (1) bonus bidding with fixed 33 1/3 percent royalty on 16 tracts, (2) bonus bidding with a sliding scale royalty on 36 tracts, and (3) bonus bidding with a fixed 16 2/3 percent royalty on 59 tracts.

(1) Bonus Bidding with 33 1/3 Percent Royalty. This system is authorized by Sec. 8(a)(1)(A) of the OCS Lands Act, as amended. This higher royalty system was first tested in OCS Sale 35 held December 11, 1975, and used again in Sale 40 held August 17, 1976, Sale A62 held September 30, 1980, and Sale 62 held November 18, 1980. This system is designed to reduce the bonus bids as a result of the high royalty rates and thereby may increase competition for these leases. Our simulation analysis for the tracts selected indicates that the assignment of the high royalty rates has a small effect on production decisions and therefore on the amount of oil and gas extracted. The testing of this system will permit an analysis of the effect on competition which must be balanced with the slight risks of making production less economic.

(2) Bonus Bidding with Sliding Scale Royalty. This system is authorized by Sec. (8)(a)(1)(c) of the OCS Lands Act, as amended. The use of the sliding scale royalty system was introduced in OCS Sale 43 (March 28, 1978) and used again in the last 12 OCS lease sales.

The sliding scale is designed to establish higher royalty rates for larger reservoirs with higher production rates. As such, the expected bonus is reduced compared to a fixed one-sixth royalty system. This may improve competition for leases, and also tends to reduce the likelihood of production losses that could result if higher royalty rates are set by other means, such as royalty bidding, prior to reservoir delineation and production. The sliding scale formula provided for Sale 53 is based on the current assumed range of costs and wellhead prices for this area.

The sliding scale used in Sales #43 and #45 was linear in form. Although this form is easy to describe it has three disavantages which may affect the socially optimal level of production. At certain levels of production, a linear schedule causes erratic fluctuations in the royalty charged on increments in output which may lead producers to make socially non-optimal production decisions in order to minimize these royalty impacts on net revenues. Marginal royalty rates also can reach very high levels even though the average rates are low. In addition, because production costs are non-linear it can be shown that the royalty rate schedule should conform more closely to the functional form of these costs in order to minimize production losses from non-development of otherwise profitable tracts.

The fixed sliding scale formula operates in the following way: when the quarterly value of production, adjusted for inflation, is less than or equal to $14.787863 million, a royalty of 16.66667 percent in amount or value of production saved, removed or sold will be due on the unadjusted value or amount of production. When the adjusted quarterly value of production is equal to or greater than $14.787864 million, but less than or equal to $1197.206141 million, the royalty percent due on the unadjusted value is given by the formula

$$Rj = b(Ln\ (Vj/S))$$

Where

Rj = the percent royalty that is due and payable on the unadjusted amount or value of all production saved, removed or sold in quarter j

b = 11.0

Ln = natural logarithm

Vj = the value of production in quarter j, adjusted for inflation, in millions of dollars

S = 3.25

When the adjusted quarterly value of production is equal to or greater than $1197.206142 million, a royalty of 65.00000 percent in amount or value of production saved, removed or sold will be due on the unadjusted quarterly value of production. Thus, in no instance will the quarterly royalty due exceed 65.00000 percent in amount or value of quarterly production saved, removed or sold.

In adjusting the quarterly value of production for use in calculating the percent royalty due on production during the quarter, the actual value of production will be modified to account for the effects of inflation by dividing the actual value of production by an inflation correction factor. The inflation correction factor used will be the ratio of the GNP fixed weighted price index for the calendar quarter preceding the quarter of production to the value of that index for the quarter preceding the issuance of the lease. The GNP fixed weighted price index is published monthly in the "Survey of Current Business," by the Bureau of Economic Analysis, U.S. Department of Commerce. The percent royalty will be due and payable on the actual amount or value of production saved, removed, or sold.

(3) Bonus Bidding with a 16 2/3 Percent Royalty. This system is authorized by Sec. 8(a)(1)(A) of the OCS Lands Act, as amended. This relatively low royalty rate system has been used extensively since the passage of the OCS Lands Act in 1953 and imposes greater risks on the lessee, but may yield more rewards (i.e., lower contingency payments to the government) if a commercial field is discovered. The relatively high front-end payments required may encourage rapid exploration. The use of this system will provide data to compare the performance of the alternative systems.

B. Designation of Tracts. The selection of tracts to be offered under the three systems was based on the following factors:

(1) Lease terms on adjacent tracts were considered in order to reduce administrative costs and barriers to unitization, and to enhance orderly development of each field.

(2) A sufficient number of tracts was needed to permit valid statistical analysis while limiting the risks of losses caused by unforeseen problems which could arise in the use of any new bidding system. The number of tracts must also be consistent with the requirements of Sec. 8(a)(5)(B) of the OCS Lands Act, as amended.

(3) The range and distribution of the characteristics of tracts were to be comparable for statistical purposes. Such characteristics include estimated resources, water depth, structure depth, favorable vs. unfavorable location of tracts on structures, and the location of tracts across trends.

The specific tracts to be offered under each system are as follows.

(a) Bonus Bidding with 33 1/3 Royalty—Tracts 53-138, 53-142, 53-145, 53-146, 53-149, 53-150, 53-151, 53-153, 53-154, 53-155, 53-159, 53-160, 53-161, 53-235, 53-236, and 53-239.

(b) Bonus Bidding with Sliding Scale Royalty--Tracts 53-185, 53-186, 53-192, 53-193, 53-197, 53-198, 53-199, 53-202, 53-203, 53-204, 53-205, 53-208, 53-209, 53-211, 53-212, 53-213, 53-214, 53-215, 53-216, 53-217, 53-218, 53-219, 53-220, 53-221, 53-222, 53-223, 53-224, 53-225, 53-226, 53-227, 53-228, 53-229, 53-231, 53-232, 53-233, and 53-234.

(c) Bonus Bidding with 16 2/3 Percent Royalty--All remaining tracts.

Ed Hastey
Director, Bureau of Land Management
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Approved: APR 21 1981

Under Secretary of the Interior

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